



State of California

Employment Training Panel

Arnold Schwarzenegger, Governor

January 6, 2009

Stephen P. Dodd, Project Executive
IBM Public Partnerships
2 Riverway
Houston, TX 77056
spdodd@us.ibm.com

Transmitted electronically.

Dear Mr. Dodd:

RE: FINAL REPORT for IBM 3 ET07-0188

Date of the Final Record Review:	10/16/08
Beginning/Ending Time:	1:00 p.m. – 3:30 p.m.
Date of Previous Visit:	1/28/08
Visit Location:	IBM facility in San Francisco
Persons in attendance:	Yourself for IBM and Gabe Buckler, IBM LMS administrator via Webex; Rob Sanger, CMTA, serving as Administrative Subcontractor; and Diane Woodside, your ETP Analyst
Action Required:	NO

CONTRACT INFORMATION:

Term of Agreement:	11/07/06 – 11/6/08	Agreement Amount:	\$1,285,200
Training Start Date:	11/07/06	No. to Retain:	1,400
Date Training must be Completed:	08/06/08	Range of Hours Per Trainee:	24 - 200
Type of Trainee:	Retrainee	Weighted Ave. Hours Per Trainee:	51
Fixed-Fee Rates (per training hour per employee)	Regular Class/lab-\$18; AT: \$26 CBT-\$8		

Background: This project was approved at the October 27, 2006 Panel meeting to retrain 1,400 information technology staff, project managers, software engineers, technicians, and managers/supervisors in computer and continuous improvement skills. This was the Panel's third agreement with IBM to retrain employees statewide to ensure that IBM's California workforce had the most advanced skills and will be retained by IBM.

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HISTORY OF AGREEMENT AND CHANGES

The Agreement was executed on 1/10/07 and training began on 11/7/06 as allowed within the Agreement term. All training occurred during the Agreement term and prior to 08/06/08 to allow the 90-day employment retention period to occur during the Agreement term. There was one Amendment to include Advanced Technology and Business Skills training for all occupations. In addition to revising the ETP-approved curriculum, the amendment also allowed IBM to receive funding for up to 10% of the training hours for training of California employees at IBM facilities located out-of-state if IBM instructors conducted the training. CMTA reports that the contract had a total of 6,030 or 7 percent of the total training hours conducted out of state as allowed under the contract language. However, the total CBT training hours delivered (48,129) is 59 percent of the total training hours of 80,754. In future Agreements, staff could recommend that out-of-state ILT hours be limited to 10% or less of all ILT hours when such a significant percentage of the total training hours are CBT.

PROJECT STATISTICS:

Total Trainees Enrolled:	2039	Completed Training and Retention:	1551
Dropped Following Enrollment:	488		

According to the fiscal close-out invoice submitted by IBM on 12/31/08, the company expects to earn a total reimbursement of **\$972,122** (75 percent of the Agreement amount of \$1,285,200). The earnings figure is the result of a substantial contribution of \$111,900.00 to be subtracted from \$1,084,023 for those workers at the IBM San Jose site. The dropped enrollees were typically persons who did not reach the 24-hour minimum class/lab/ or CBT requirement.

FEEDBACK RECEIVED FROM YOU, THE COMPANY REPRESENTATIVE:

Your ETP analyst received the following responses (bolded) from you via email:

- What barriers, if any, did your company experience in implementing your ETP project?

No barriers were encountered in implementing our ETP project. However, during the course of the project we did identify a need to conduct a security audit of our ETP vendor, CMTA, to ensure that all transmission and storage of data to/from and storage within the CMTA offices met or exceeded all of IBM internal security audit controls. A security checklist was provided to CMTA and was returned to IBM with all required security measures for Sensitive Personnel Information (SPI) being met.

- What problems, if any, did your company experience with ETP record keeping?

None. Working with CMTA allowed IBM to extract all training data from our Learning Management System (SABA) in a common format that was easily imported into a CMTA database which was subsequently uploaded into the ETP application. This process proved to be seamless for IBM and provided the requisite audit trails for individual training records.

- What assistance could ETP have provided that would improve the process for future Contractors?

During this contract period of performance IBM submitted an amendment to contract ET07-0188 to allow the inclusion of training previously omitted. The ETP staff was very cooperative and responsive to this amendment and provided clear guidance and direction regarding clarifying questions and actions IBM needed to answer. Working with ETP staff has been a positive and rewarding experience and IBM appreciates the opportunity we have had to participate in this valuable program.

- How did your company benefit from the ETP training?

The California ETP training grant assisted IBM in ensuring high demand/high tech courses of instruction for California IBM employees that addressed the need for employees to make a seamless transition within the company's changing culture while earning credentials and skills that will enhance productivity and efficiency. In addition, the training enhanced employee retention and customer satisfaction, enabling the company to grow locally, within the State of California, nationally and globally.

Information technology (IT) skills have a very short shelf-life and the demands of customers are constantly changing. The approval of the ETP Grant provided opportunities for employees to develop new skills needed to add value to the company, and to satisfy existing customer's and expected new customer's expectations. As a result, IBM California employees who completed this training positioned themselves for advancement and wage increases thereby benefiting the employee, the company and the economy of the State of California.

ELECTRONIC RECORD KEEPING:

Gabe Buckler led the ETP analyst into IBM's global Saba-based LMS (called Learning Intelligence) via WEBEX so that the ETP analyst could view the system and verify the class/lab training hours entered for final reimbursement for a sample of trainees. CBT hours are verified in a separate oracle-based LMS. Hard copy rosters for instructor-led training are sent to a centralized storage/data entry operation located out-of-state. For this reason, IBM is using electronic record-keeping for all ETP-funded training including class/lab and CBT. Based on her remote review, Ms Woodside reports that the required data elements were verified in both LMS systems for a sample of trainees, that the LMS provides data meeting ETP documentation requirements, and that training hours received match the data entered into ETP's on-line system for the sample reviewed. It appears that classes were under the 1:20 trainer/trainee ratio for regular training and 1:10 for Advanced Technology class/lab training; that courses that were funded are included in the ETP curriculum; that lunch hours were not included in any hours entered into the ETP system for reimbursement; and only eligible trainee data was uploaded into the ETP on-line system. The administrative subcontractor provided an excel spreadsheet which is a legend for how various course titles are to be classified in the ETP curriculum topics. This document has been saved on the ETP Master File drive.

Note: during the final visit, the ETP analyst questioned the appropriateness of a corporate-wide CBT course called "IBM Integrity & Business Conduct." Upon review of the course content, ETP staff notified IBM that it would not fund more than eight (8) hours for any version of "IBM Integrity & Business Conduct." This would include subjects such as "Financial Integrity," and

"Business Ethics." CMTA subsequently removed the disallowed CBT hours from ETP's on-line tracking system.

Please note that the finding that the ETP documentation is in order is based only on the training records reviewed during monitoring and final visits and represents only a limited sample of the training records completed to date. It is IBM's responsibility to ensure that all training records are in compliance with Panel requirements for auditing purposes even though you utilized an administrative subcontractor.

SUBAGREEMENTS:

An administrative subagreement between IBM and CMTA was submitted and is on file in ETP's Master File drive. It includes the 13% cap on monies earned clause for administrative services. No other vendors are entered into the ETP system; thus, all training was delivered by in-house trainers.

AUDIT:

At this time there are no other actions to be taken by IBM. However, please be aware that the Agreement remains subject to an audit. You will be notified in writing if this agreement is selected for an audit that will be conducted either at your site (field audit) or by telephone if selected for a desk audit (or "review"). These notifications will be sent in advance to allow ample preparation time and will include a list of documentation that will be examined by the auditor. A list of the documentation typically examined during an audit will be included along with the Audit Notification and Audit Confirmation letters. To provide support of training, original training attendance documentation is required; photocopied records are not acceptable. Listed below are types of records typically requested during an ETP field audit:

- Print-outs from the Saba LMS and/or training attendance records such as rosters, sign-in sheets, etc.
- Payroll records of individual trainees to verify wage and hours worked
- Personnel records regarding occupation and dates of employment
- Cash receipts to verify receipt and accounting of ETP funds

RECORD RETENTION:

Records must be retained within your control and be available for review at your place of business within the State of California. This responsibility will terminate no sooner than four (4) years from the date of the termination of the Agreement or three (3) years from the date of the last payment by ETP to the Contractor, or the date of resolution of appeals, audits, claims, exceptions, or litigation, whichever is later.

If you have any questions or comments regarding the information in this letter, please contact Diane Woodside, at 650-655-6935 or at dwoodside@etp.ca.gov, within ten (10) working days from the receipt date of this letter.

Sincerely,

A handwritten signature in black ink that reads "Creighton Chan". The signature is fluid and cursive, with the first name "Creighton" being larger and more prominent than the last name "Chan".

Creighton Chan, Manager
San Francisco Bay Area Regional Office

A handwritten signature in black ink that reads "Diane Woodside". The signature is cursive and somewhat stylized, with the first name "Diane" being larger than the last name "Woodside".

Diane Woodside, Account Analyst
San Francisco Bay Area Regional Office

cc: Rob Sanger, CMTA
Brian McMahon, Executive Director
David Guzman, Chief, Program Operations Division
Kulbir Mayall, ETP Fiscal Unit
Steve Runkle, ETP Audit Manager
Master File
Project File

Date report mailed to Contractor 1/12/08